

CEDERBERG

LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2015

CEDERBERG LOCAL MUNICIPALITY

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CEDERBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Cederberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Cederberg Local Municipality includes the following areas:

Algeria
Clanwilliam
Lamberts Bay
Citrusdal
Graafwater
Leipoldtville
Elands Bay

MEMBERS OF THE MAYORAL COMMITTEE (ELECTED 16 JULY 2015)

Cllr J Muller (Executive Mayor)
Cllr C September (Deputy Executive Mayor)
Cllr J Fransman (Member)
Cllr W Abels (Member)

ACTING MUNICIPAL MANAGER

Mr. Elrico Alfred

CHIEF FINANCIAL OFFICER

Mr. Elrico Alfred

REGISTERED OFFICE

2A Vootrekker Road
Clanwilliam

AUDITORS

Office of the Auditor General (Western Cape)

PRINCIPLE BANKERS

ABSA BANK Limited

AUDIT COMMITTEE

Francois Engelbrecht (Chairperson)
Christiaan Cloete
Denver Miller

ATTORNEYS

Webber Wentzel

CEDERBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act

MEMBERS OF THE CEDERBERG LOCAL MUNICIPALITY

Ward 1	Cllr Johannes Jacobus Muller
Ward 2	Cllr Julio Julian Fransman
Ward 3	Cllr Lorna Scheepers
Ward 4	Cllr Jimmy Barnard
Ward 5	Cllr Danville Smith
Ward 6	Cllr William Abels
Proportional	Cllr Peter Petersen
Proportional	Cllr Judith Mouton
Proportional	Cllr Colin Erasmus
Proportional	Cllr Benjamin Ferdinand Zass
Proportional	Cllr Charmaine Karika September

CEDERBERG LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

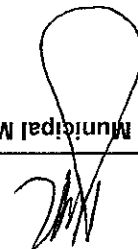
I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councilors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Acting Municipal Manager



Date

21.08.2015

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	Restated 2014 R
NET ASSETS AND LIABILITIES			
Net Assets		427 211 994	392 813 007
Capital Replacement Reserve	2	4 000 000	2 142 880
Accumulated Surplus		423 211 994	390 670 127
Non-Current Liabilities		83 676 917	57 661 484
Long-term Liabilities	3	18 693 157	14 251 372
Employee Benefits	4	26 643 775	23 747 274
Non-Current Provisions	5	38 339 985	19 662 838
Current Liabilities		66 123 901	65 630 555
Consumer Deposits	6	1 549 522	1 388 759
Current Employee Benefits	7	6 956 275	6 716 152
Payables from Exchange Transactions	8	51 215 115	52 075 270
Unspent Conditional Government Grants and Receipts	9	2 501 028	1 874 177
Unspent Public Contributions	10	2 409	2 409
Operating Lease Liability	19	3 733	18 417
Current Portion of Long-term Liabilities	3	3 895 819	3 555 370
Total Net Assets and Liabilities		577 012 812	516 105 047
ASSETS			
Non-Current Assets		528 582 467	483 759 339
Property, Plant and Equipment	12	459 520 450	415 630 737
Investment Property	13	67 835 546	67 888 795
Intangible Assets	14	206 327	239 807
Long-Term Receivables	15	1 020 145	-
Current Assets		48 430 344	32 345 708
Inventory	16	2 015 382	2 782 093
Receivables from Exchange Transactions	17	30 294 926	18 044 916
Receivables from Non-Exchange Transactions	18	8 259 093	6 523 800
Unpaid Conditional Government Grants and Receipts	9	412 725	412 725
Operating Lease Asset	19	23 430	45 125
Taxes	11	863 816	1 215 279
Cash and Cash Equivalents	20	6 560 971	3 321 770
Total Assets		577 012 812	516 105 047

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	Restated 2014 R
REVENUE			
Revenue from Non-exchange Transactions		146 606 633	117 210 009
Taxation Revenue		38 681 448	30 274 844
Property Rates	21	30 035 400	26 943 820
Other Taxes	22	8 646 048	3 331 024
Transfer Revenue		95 648 196	83 488 250
Government Grants and Subsidies - Operating	23	60 862 586	48 431 297
Government Grants and Subsidies - Capital	23	34 785 610	35 056 953
Other Revenue		12 276 989	3 446 916
Third Party Payments		210 732	299 987
Fines	24	3 029 731	3 130 392
Transfer of Assets	25	8 573 245	-
Actuarial Gains	26	417 204	-
Reversal of Impairments	27	46 078	16 537
Revenue from Exchange Transactions		104 972 122	87 925 718
Service Charges	28	89 920 271	78 103 552
Rental of Facilities and Equipment	29	3 249 742	2 839 196
Interest Earned - external investments		266 362	242 295
Interest Earned - outstanding debtors		2 841 892	2 551 332
Agency Services		1 405 100	1 245 782
Licences and Permits	30	970 546	877 274
Other Income	31	6 318 209	2 066 287
Total Revenue		251 578 755	205 135 727
EXPENDITURE			
Employee related costs	32	70 903 094	67 039 096
Remuneration of Councillors	33	4 307 365	4 076 385
Debt Impairment	34	6 015 659	7 520 507
Collection Cost		567 683	285 376
Depreciation and Amortisation	35	13 369 613	13 617 602
Repairs and Maintenance		6 142 154	5 227 522
Actuarial Losses	26	-	2 380 324
Finance Charges	36	6 560 331	4 810 137
Bulk Purchases	37	57 153 610	56 263 562
Stock Adjustments		-	(324)
General Expenses	38	50 127 065	41 843 308
Loss on disposal of Property, Plant and Equipment	39	2 026 482	1 922 809
Loss on disposal of Intangible Assets	40	6 713	-
Total Expenditure		217 179 769	204 986 304
NET SURPLUS FOR THE YEAR		34 398 987	149 423

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Capital Replacement Reserve R	Accumulated Surplus R	Total R
Balance at 1 July 2013	5 000 000	391 870 200	396 870 200
Correction of error restatement - note 41.01	-	(4 206 615)	(4 206 615)
Restated Balance at 1 July 2013	5 000 000	387 663 585	392 663 585
Net Surplus for the year	-	149 423	149 423
Movement in Capital Replacement Reserve	(2 857 120)	2 857 120	-
Restated balance at 30 June 2014	2 142 880	390 670 127	392 813 007
Net Surplus for the year	-	34 398 987	34 398 987
Movement in Capital Replacement Reserve	1 857 120	(1 857 120)	-
Balance at 30 June 2015	4 000 000	423 211 994	427 211 994

CEDERBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	Restated 2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and Other		123 209 092	110 573 622
Government		96 275 046	84 814 469
Interest		3 108 254	2 793 627
Payments			
Suppliers and Employees		(188 264 606)	(161 012 533)
Finance charges		(3 352 982)	(2 205 863)
Cash generated by operations	42	30 974 805	34 963 322
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(32 759 664)	(35 711 147)
Proceeds from sale of Property, Plant and Equipment	39	482 437	854 316
Purchase of Intangible Assets	14	(23 163)	-
Net Cash from Investing Activities		(32 300 390)	(34 856 831)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(3 595 977)	(3 301 525)
New loans raised		8 000 000	-
Increase in Consumer Deposits		160 762	25 979
Net Cash from Financing Activities		4 564 786	(3 275 546)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 239 201	(3 169 055)
Cash and Cash Equivalents at the beginning of the year		3 321 770	6 490 825
Cash and Cash Equivalents at the end of the year	43	6 560 971	3 321 770
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 239 201	(3 169 055)

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2015

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	57 678 000	(19 617 210)	38 060 790	48 430 344	10 369 555
Total non-current assets	539 349 000	(18 000 673)	521 348 327	528 582 467	7 234 140
Total current liabilities	32 011 000	31 920 986	63 931 986	66 123 901	2 191 915
Total non-current liabilities	40 619 000	24 078 512	64 697 512	83 676 917	18 979 405
TOTAL NET ASSETS	524 397 000	(93 617 381)	430 779 619	427 211 994	(3 567 625)
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Property rates	32 353 733	1 016	32 354 749	30 035 400	(2 319 349)
Service charges	94 090 970	7 685 030	101 776 000	89 920 271	(11 855 729)
Investment revenue	289 380	(71 900)	217 480	266 362	48 882
Transfers recognised - operational	44 510 000	27 230 417	71 740 417	60 862 586	(10 877 831)
Other own revenue	16 180 517	2 579 638	18 760 155	35 708 526	16 948 371
Total Revenue (excluding capital transfers)	187 424 600	37 424 201	224 848 801	216 793 146	(8 055 655)
EXPENDITURE					
Employee costs	66 682 616	400 611	67 083 227	70 903 094	3 819 867
Remuneration of councillors	4 451 012	35 999	4 487 011	4 307 365	(179 646)
Depreciation & asset impairment	15 248 000	200 000	15 448 000	13 369 613	(2 078 387)
Finance charges	4 320 000	-	4 320 000	6 560 331	2 240 331
Materials and bulk purchases	55 000 000	2 500 000	57 500 000	57 153 610	(346 390)
Other expenditure	41 700 000	39 822 857	81 522 857	64 885 756	(16 637 101)
Total Expenditure	187 401 628	42 959 467	230 361 095	217 179 769	(13 181 326)
Surplus/(Deficit)	22 972	(5 535 266)	(5 512 294)	(386 623)	5 125 671
Transfers recognised - capital	40 902 000	(3 057 470)	37 844 530	34 785 610	(3 058 920)
NET SURPLUS FOR THE YEAR	40 924 972	(8 592 736)	32 332 236	34 398 987	2 066 751
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	52 982 000	(10 080 926)	42 901 074	30 974 805	(11 926 269)
Net Cash Flow from Investing Activities	(45 031 000)	(255 479)	(45 286 479)	(32 300 390)	12 986 089
Net Cash Flow from Financing Activities	4 781 000	(798 759)	3 982 241	4 564 786	582 545
NET INCREASE IN CASH AND CASH EQUIVALENTS	12 732 000	(11 135 164)	1 596 836	3 239 201	1 642 364

Refer to note 56.01 for explanations of material variances between the original and final budget.

Refer to note 56.02 for explanations of material variances between actual amounts and the final budget.

Refer to note 55.03 for reconciliation between final budget amounts and final approved budget.

Material variances are considered to be any variances greater than R2 million.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the approved and final budget are included in the Notes to the Financial Statements. Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. .

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.9. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement bases.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109 (Original – July 2015)	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.10. RESERVES

1.10.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus are credited by a corresponding amount when the amounts in the CRR are utilized.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.11. LEASES

1.11.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.15. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.15.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.15.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.15.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.17.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years
<u>Land and Buildings</u>	
Buildings	9 – 101
Capitalised Restorations Costs	14 – 22
 <u>Infrastructure</u>	
Roads, Pavement, Bridges and Storm Water	3 – 50
Water Network	7 – 60
Electricity Network	9 – 115
Sewerage Network	4 – 60
 <u>Leased Assets</u>	
Office Equipment	1 – 11
 <u>Community Assets</u>	
Recreational Facilities	41 - 101
Parks and Gardens	50 - 71
Community Halls	16 - 100
Libraries	51 - 100
Cemeteries	31 - 71
Museums and Art Galleries	100
 <u>Other Assets</u>	
Computer Equipment	3 – 17
Motor Vehicles	8 – 26
Office Equipment	5 – 31
Plant and Equipment	3 – 36
Specialised Vehicles	15 – 19

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.17.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

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Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 19

1.18.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

1.19.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment losses; and
- amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.23.3 De-recognition

The Municipality derecognises a statutory receivable when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting policies on Revenue from Non-Exchange Transactions and on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.30.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

1.30.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2	NET ASSET RESERVES	2015 R	2014 R
	Capital Replacement Reserve	4 000 000	2 142 880
	Total Net Asset Reserves	4 000 000	2 142 880

3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	22 029 315	17 425 186
	Capitalised Lease Liability - At amortised cost	559 661	381 556
		22 588 976	17 806 742
	Current Portion transferred to Current Liabilities	3 895 819	3 555 370
	Annuity Loans - At amortised cost	3 634 503	3 412 946
	Capitalised Lease Liability - At amortised cost	261 316	142 424
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	18 693 157	14 251 372

Refer below for maturity dates of long term liabilities:

	Minimum annuity payments
The obligations under annuity loans are scheduled below:	
Amounts payable under annuity loans:	
Payable within one year	5 706 473
Payable within two to five years	14 549 738
Payable after five years	12 390 135
	32 646 347
Less: Future finance obligations	(10 617 032)
Present value of annuity obligations	22 029 315

Annuity loans at amortised cost consists out of five loans and is unsecured. Interest is charged at 9.53%, 9.64%, 10.36%, 9.84% and 10.43% respectively. Maturity dates of these loans are respectively 31 March 2016, 30 September 2018, 31 March 2023, 31 March 2025 and 14 June 2025.

	Minimum capitalised lease payments
The obligations under finance leases are scheduled below:	
Amounts payable under finance leases:	
Payable within one year	329 208
Payable within two to five years	328 827
Payable after five years	-
	658 035
Less: Future finance obligations	(98 374)
Present value of lease obligations	559 661

Finance Leases at amortised cost have maturity dates that vary from February 2017 to November 2017.

Leases are secured by Property, Plant and Equipment - refer to note 12.

Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
4	EMPLOYEE BENEFITS		
	Post Retirement Benefits - note 4.1	23 729 805	21 277 982
	Long Service Awards - note 4.2	2 913 970	2 469 292
	Total Non-current Employee Benefit Liabilities	26 643 775	23 747 274
	<u>Post Retirement Benefits</u>		
	Balance 1 July	21 882 182	17 332 953
	Current service cost	1 651 861	1 249 432
	Interest Cost	1 965 521	1 520 353
	Benefits payments	(594 528)	(582 853)
	Actuarial Loss/(Gain)	(573 047)	2 362 297
	Total post retirement benefits 30 June	24 331 989	21 882 182
	Less: Transfer of Current Portion - note 7	(602 184)	(604 200)
	Balance 30 June	23 729 805	21 277 982
	<u>Long Service Awards</u>		
	Balance 1 July	2 723 873	2 463 785
	Current service cost	251 592	253 081
	Interest Cost	211 818	177 666
	Benefits payments	(263 235)	(188 686)
	Actuarial Loss	155 843	18 027
	Total Long Service 30 June	3 079 891	2 723 873
	Less: Transfer of Current Portion - note 7	(165 921)	(254 581)
	Balance 30 June	2 913 970	2 469 292
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	24 606 055	19 796 738
	Current service costs	1 903 453	1 502 513
	Interest cost	2 177 339	1 698 019
	Benefits payments	(857 763)	(771 539)
	Actuarial Loss	(417 204)	2 380 324
	Total employee benefits 30 June	27 411 880	24 606 055
	Less: Transfer of Current Portion - note 7	(768 105)	(858 781)
	Balance 30 June	26 643 775	23 747 274
		2015 Employees	2014 Employees
4.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	125	120
	In-service (employee) non-members	169	177
	Continuation members (e.g. Retirees, widows, orphans)	20	21
	Total Members	314	318

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	In-Service Members R	In-Service non-Members R	Continuation Members R	Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:				
30 June 2015	13 348 423	3 161 645	7 821 921	24 331 989
30 June 2014	9 446 832	4 162 874	8 272 476	21 882 182
30 June 2013	6 913 999	3 590 225	6 828 729	17 332 953
30 June 2012	5 430 224	2 975 000	8 783 778	17 189 002
30 June 2011	5 696 104	-	7 349 535	13 045 639

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2015	397 000	-
30 June 2014	1 380 000	-
30 June 2013	(1 497 000)	-
30 June 2012	2 052 000	-
30 June 2011	2 141 000	-

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Hosmed
Keyhealth.

Key actuarial assumptions used:

	2015 %	2014 %
i) Rate of interest		
Discount rate	9.02%	9.11%
Health Care Cost Inflation Rate	8.12%	8.27%
Net Effective Discount Rate	0.84%	0.77%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 61, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	21 882 182	17 332 953
Total contributions	3 022 854	2 186 932
Current service cost	1 651 861	1 249 432
Interest Cost	1 965 521	1 520 353
Benefits Paid	(594 528)	(582 853)
Actuarial Loss/(Gain)	(573 047)	2 362 297
Present value of fund obligation at the end of the year	24 331 989	21 882 182
Less: Transfer of Current Portion - Note 7	(602 184)	(604 200)
Balance 30 June	23 729 805	21 277 982

The liability is unfunded.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members (R)	Continuation members (R)	Total (R)	% Change
Central Assumptions		16 510 068	7 821 921	24 331 989	
Health care inflation	+1%	20 079 000	8 599 000	28 678 000	18%
Health care inflation	-1%	13 672 000	7 147 000	20 819 000	-14%
Discount rate	+1%	13 652 000	7 157 000	20 809 000	-14%
Discount rate	-1%	20 215 000	8 601 000	28 816 000	18%
Post-retirement mortality	-1 year	17 073 000	8 152 000	25 225 000	4%
Average retirement age	-1 year	18 115 000	7 822 000	25 937 000	7%
Continuation of membership after retirement	-10%	14 201 000	7 822 000	22 023 000	-9%

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Estimated for 2015/16		1 925 300	2 168 200	4 093 500	
Health care inflation	+1%	2 362 700	2 560 300	4 923 000	20%
Health care inflation	-1%	1 578 100	1 851 300	3 429 400	-16%
Discount rate	+1%	1 590 400	2 055 700	3 646 100	-11%
Discount rate	-1%	2 360 400	2 287 400	4 647 800	14%
Post-retirement mortality	-1 year	1 990 100	2 248 800	4 238 900	4%
Average retirement age	-1 year	2 088 300	2 313 000	4 401 300	8%
Withdrawal Rate	-10%	1 660 700	1 960 000	3 620 700	-12%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2015 Employees	2014 Employees
294	297

**Present value of
fund obligations
R**

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

30 June 2015	3 079 891
30 June 2014	2 723 873
30 June 2013	2 463 785
30 June 2012	2 182 435
30 June 2011	1 842 157

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2015	169 257	-
30 June 2014	86 455	-
30 June 2013	23 087	-
30 June 2012	34 296	-
30 June 2011	38 137	-

The Municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

	2015 %	2014 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.19%	8.15%
General Salary Inflation (long-term)	7.18%	7.24%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.94%	0.85%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2 723 873	2 463 785
Total contributions	200 175	242 061
Current service cost	251 592	253 081
Interest Cost	211 818	177 666
Benefits Paid	(263 235)	(188 686)
Actuarial Loss	155 843	18 027
Present value of fund obligation at the end of the year	3 079 891	2 723 873
Less: Transfer of Current Portion - Note 7	(165 921)	(254 581)
Balance 30 June	2 913 970	2 469 292

The liability is unfunded.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Current Liability (R)	Change	Liability (R)	% Change
General salary inflation	3 079 891	+1%	3 316 000	8%
General salary inflation	3 079 891	-1%	2 868 000	-7%
Discount rate	3 079 891	+1%	2 858 000	-7%
Discount rate	3 079 891	-1%	3 332 000	8%
Average retirement age	3 079 891	-2 years	2 538 000	-18%
Average retirement age	3 079 891	+2 years	3 501 000	14%
Withdrawal rates	3 079 891	-50%	3 812 000	24%

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Estimated for 2015/16		318 200	245 600	563 800	
General salary inflation	+1%	347 700	264 900	612 600	9%
General salary inflation	-1%	292 000	228 200	520 200	-8%
Discount rate	+1%	293 700	255 200	548 900	-3%
Discount rate	-1%	346 200	233 700	579 900	3%
Average retirement age	-2 years	273 200	201 200	474 400	-16%
Average retirement age	+2 years	361 800	280 000	641 800	14%
Withdrawal Rate	-50%	431 600	305 600	737 200	31%

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
4.3 Retirement funds		
<p>Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.</p> <p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.</p>		
<u>CAPE JOINT PENSION FUND</u>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).</p>		
Contributions paid recognised in the Statement of Financial Performance	91 003	104 775
<u>CAPE RETIREMENT FUND</u>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2013 - 100.2%).</p>		
Contributions paid recognised in the Statement of Financial Performance	5 800 199	4 796 797
<u>DEFINED CONTRIBUTION FUNDS</u>		
<p>Council contribute to the National Fund for Municipal Workers, Municipal Council Pension Fund, and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
Contributions paid recognised in the Statement of Financial Performance		
National Fund for Municipal Workers	414 067	385 197
SAMWU National Provident Fund	1 019 085	982 216
	1 433 152	1 367 413

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5		2015 R	2014 R
	NON-CURRENT PROVISIONS		
	Provision for Rehabilitation of Landfill-sites	38 339 985	19 662 838
	Total Non-current Provisions	38 339 985	19 662 838

Landfill Sites

Balance 1 July	19 662 838	19 248 369
Finance Charges	1 030 010	906 255
Addition to Liability	17 647 137	110 298
Disposal of Liability	-	(262 015)
Decrease in liability portion exceeding carrying value of asset	-	(340 069)
Total provision 30 June	38 339 985	19 662 838

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the following landfill sites at the end of its useful life:

Location	Site Dimensions	Estimated decommission date	Cost of Rehabilitation 2015	Cost of Rehabilitation 2014
Clanwilliam	24 725m ²	2019	11 021 230	5 506 866
Lambert's Bay	19 341m ²	2019	9 467 967	4 418 951
Citrusdal	28 500m ²	2020	12 736 189	6 417 771
Graafwater	3 000m ²	2020	2 477 423	1 953 693
Elands Bay	3 300m ²	2019	2 637 177	1 365 557
			38 339 985	19 662 838

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

6	CONSUMER DEPOSITS		
	Water and Electricity Deposits	1 549 522	1 388 759
	Total Consumer Deposits	1 549 522	1 388 759

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7	CURRENT EMPLOYEE BENEFITS		
	Provision for Staff Leave	4 184 799	3 963 928
	Provision for Performance Bonuses	-	-
	Staff Bonuses Accrued	2 003 371	1 893 443
	Current Portion of Non-Current Employee Benefits	768 105	858 781
	Current Portion of Post Retirement Benefits - note 4	602 184	604 200
	Current Portion of Long Service Provisions - note 4	165 921	254 581
	Total Current Employee Benefits	6 956 275	6 716 152

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
The movement in current employee benefits are reconciled as follows:		
<u>Provision for Staff Leave</u>		
Balance at beginning of year	3 963 928	3 801 267
Contribution to current portion	585 055	604 457
Expenditure incurred	(364 184)	(441 796)
Balance at end of year	4 184 799	3 963 928

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance Bonuses

Balance at beginning of year	-	565 042
Contribution to current portion	-	(124 277)
Expenditure incurred	-	(440 765)
Balance at end of year	-	-

During 2013/14 Council resolved that no performance bonuses will be paid in the future. The Municipal Manager and Directors now received a fixed bonus based on their remuneration. Performance bonuses were being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses Accrued

Balance at beginning of year	1 893 443	1 507 548
Contribution to current portion	1 893 443	1 893 443
Expenditure incurred	(1 783 516)	(1 507 548)
Balance at end of year	2 003 371	1 893 443

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

8

PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	42 756 510	43 165 536
Pre-paid Electricity	389 967	320 434
Sundry Creditors	1 372 902	908 549
Payments received in advance	1 475 126	1 378 575
Retentions	4 324 140	5 103 368
Sundry Deposits	358 341	360 417
Unknown Receipts	150 006	491 188
Accrued Interest	388 123	347 203
Total Payables from Exchange Transactions	51 215 115	52 075 270
As previously reported		50 972 395
Correction of error restatement - note 41.02		1 102 875
Restated balance		52 075 270

Payables are being recognised net of any discounts.

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

Deposits amounting to R315 453 serve as security for Payables. The remainder of Payables are unsecured.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	2 501 028	1 874 177
National Government Grants	915 048	1 365 094
Provincial Government Grants	1 585 980	509 083
Less: Unpaid Grants	412 725	412 725
National Government Grants	412 725	412 725
Provincial Government Grants	-	-
Total Conditional Grants and Receipts	2 088 303	1 461 452
Refer to Appendix "B" for reconciliation of grants from other spheres of government. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
10 UNSPENT PUBLIC CONTRIBUTIONS		
Lotto Funds - Sport facilities (Elands Bay)	2 409	2 409
Total Unspent Public Contributions	2 409	2 409
Reconciliation of public contributions:		
<u>Lotto Funds - Sport facilities (Elands Bay)</u>		
Opening balance	(2 409)	(2 409)
Conditions met - Transferred to revenue	-	-
Closing balance	(2 409)	(2 409)
11 TAXES		
VAT Receivable/(Payable)	342 895	(1 315 227)
VAT Input in Suspense	4 297 260	4 491 663
VAT Output in Suspense - net	(3 776 339)	(1 961 157)
VAT Output in Suspense	(5 786 216)	(3 625 092)
Less: VAT on Provision for Debt Impairment	2 009 876	1 663 935
Net VAT Receivable/(Payable)	863 816	1 215 279
As previously reported		924 009
Correction of error restatement - note 41.02		129 804
Correction of error restatement - note 41.04		161 466
Restated balance		1 215 279
VAT is receivable/payable on the cash basis.		
Reconciliation of VAT on Provision for Debt Impairment		
Balance at beginning of year	1 663 935	1 516 637
Debt Impairment for current year - note 34	345 941	147 298
Balance at end of year	2 009 876	1 663 935

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	
Land and Buildings	41 265 145	19 772 372	-	-	-	61 037 516	9 082 976	538 818	(46 078)	-	9 575 715	51 461 801
Land	19 853 251	-	-	-	-	19 853 251	-	-	-	-	-	19 853 251
Buildings	10 741 256	2 125 234	-	-	-	12 866 491	616 334	115 846	-	-	732 180	12 134 310
Capitalised Restoration Costs	10 670 637	17 647 137	-	-	-	28 317 774	8 466 642	422 971	(46 078)	-	8 843 535	19 474 240
Infrastructure	530 234 977	23 385 201	(2 007 576)	8 833 977	-	560 446 578	209 542 385	10 349 687	-	(1 026 141)	218 865 931	341 580 647
Roads, Pavements, Bridges & Storm Water	109 670 355	-	-	-	-	109 670 355	56 297 925	3 032 831	-	-	59 330 756	50 339 599
Water Network	121 551 574	393 843	(443 768)	155 794	513 572	122 171 015	55 386 888	2 983 085	-	(225 718)	58 144 255	64 026 761
Electricity Network	130 781 932	-	(856 644)	-	5 809 167	135 734 455	69 169 094	2 865 524	-	(513 178)	71 521 439	64 213 016
Sewerage Network	65 151 759	255 165	(707 164)	104 938	1 267 832	66 072 530	28 688 478	1 468 247	-	(287 244)	29 869 481	36 203 048
Work in Progress	103 079 357	22 736 193	-	8 573 245	(7 590 572)	126 798 223	-	-	-	-	-	126 798 223
Lease Assets	971 883	378 210	(406 944)	-	-	943 149	318 143	222 827	-	(257 294)	283 676	659 473
Office Equipment	971 883	378 210	(406 944)	-	-	943 149	318 143	222 827	-	(257 294)	283 676	659 473
Community Assets	46 323 678	6 463 461	-	-	-	52 787 139	2 164 402	331 172	-	-	2 495 574	50 291 565
Recreational Facilities	34 324 949	81 926	-	-	3 392 845	37 799 720	1 961 318	285 978	-	-	2 247 296	35 552 424
Parks & Gardens	560 038	20 580	-	-	-	580 618	2 889	1 821	-	-	4 709	575 908
Community Halls	1 345 700	305 227	-	-	-	1 650 927	15 937	4 487	-	-	20 425	1 630 503
Libraries	3 506 648	1 754 386	-	-	-	5 261 034	146 571	26 998	-	-	173 569	5 087 465
Cemeteries	428 079	-	-	-	-	428 079	4 383	6 332	-	-	10 715	417 364
Museums and Art Galleries	655 500	-	-	-	-	655 500	33 304	5 555	-	-	38 859	616 641
Work in Progress	5 502 763	4 301 342	-	-	(3 392 845)	6 411 260	-	-	-	-	-	6 411 260
Other Assets	27 054 476	785 768	(2 845 948)	-	-	24 994 296	9 111 515	1 823 930	-	(1 468 115)	9 467 331	15 526 965
Computer Equipment	1 948 428	122 904	(357 112)	-	-	1 714 220	869 901	217 205	-	(224 622)	862 485	851 735
Motor Vehicles	13 581 073	144 132	(1 709 686)	-	-	12 015 519	4 151 905	738 136	-	(788 483)	4 101 558	7 913 961
Office Equipment	4 675 231	400 368	(417 130)	-	-	4 658 469	1 900 766	363 277	-	(255 914)	2 008 128	2 650 341
Plant & Equipment	5 427 008	118 364	(362 020)	-	-	5 183 353	1 716 393	449 530	-	(199 095)	1 966 827	3 216 525
Specialised Vehicles	1 422 735	-	-	-	-	1 422 735	472 551	55 782	-	-	528 333	894 402
	645 850 159	50 785 011	(5 260 468)	8 833 977	-	700 208 678	230 219 421	13 266 434	(46 078)	(2 751 549)	240 688 228	459 520 450

The leased property, plant and equipment and the buildings are secured as set out in note 3.

Reconciliation of accumulated impairment included in accumulated depreciation relating to Capitalised Restoration Costs.

Opening balance	205 091
Impairment charge / (Reversal of impairment)	(46 078)
Closing balance	159 013

During the current year useful lives of Property, Plant and Equipment were re-assessed. The effect on the current as well as future periods are as follows:

	2015	2016	2017
Effect on Accumulated Surplus - Decrease/(Increase) in depreciation	184 769	421 054	367 868
Increase/(Decrease) in Accumulated Depreciation: PPE	(184 769)	(421 054)	(367 868)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2014

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	
Land and Buildings	41 108 539	418 621	(262 015)	-	-	41 265 145	8 538 037	561 475	(16 537)	-	9 082 976	32 182 169
Land	19 853 251	-	-	-	-	19 853 251	-	-	-	-	-	19 853 251
Buildings	10 432 934	308 323	-	-	-	10 741 256	505 756	110 578	-	-	616 334	10 124 922
Capitalised Restoration Costs	10 822 354	110 298	(262 015)	-	-	10 670 637	8 032 281	450 897	(16 537)	-	8 466 642	2 203 996
Infrastructure	500 031 134	30 300 063	(96 219)	-	-	530 234 977	199 454 673	10 156 739	-	(69 027)	209 542 385	320 692 592
Roads, Pavements, Bridges & Storm Water	108 796 821	-	-	-	873 534	109 670 355	53 133 154	3 164 771	-	-	56 297 925	53 372 430
Water Network	119 950 553	-	(96 219)	-	1 697 241	121 551 574	52 569 949	2 885 967	-	(69 027)	55 386 888	66 164 686
Electricity Network	129 909 628	-	-	-	872 304	130 781 932	66 353 067	2 816 027	-	-	69 169 094	61 612 839
Sewerage Network	57 517 306	-	-	-	7 634 453	65 151 759	27 398 504	1 289 974	-	-	28 688 478	36 463 281
Work in progress	83 856 826	30 300 063	-	-	(11 077 532)	103 079 357	-	-	-	-	-	103 079 357
Lease Assets	593 046	421 287	(42 450)	-	-	971 883	227 768	113 945		(23 570)	318 143	653 740
Office Equipment	593 046	421 287	(42 450)	-	-	971 883	227 768	113 945	-	(23 570)	318 143	653 740
Community Assets	41 562 782	4 760 896	-	-	-	46 323 678	1 846 272	318 131	-	-	2 164 402	44 159 276
Recreational Facilities	33 905 353	419 596	-	-	-	34 324 949	1 681 812	279 506	-	-	1 961 318	32 363 631
Parks & Gardens	560 038	-	-	-	-	560 038	1 236	1 653	-	-	2 889	557 149
Community Halls	1 325 581	20 119	-	-	-	1 345 700	12 481	3 456	-	-	15 937	1 329 763
Libraries	3 372 500	134 148	-	-	-	3 506 648	121 761	24 811	-	-	146 571	3 360 077
Cemeteries	265 242	162 837	-	-	-	428 079	1 233	3 150	-	-	4 383	423 696
Museums and Art Galleries	655 500	-	-	-	-	655 500	27 749	5 555	-	-	33 304	622 196
Work in progress	1 478 568	4 024 196	-	-	-	5 502 763	-	-	-	-	-	5 502 763
Other Assets	32 166 200	341 865	(5 453 589)	-	-	27 054 476	9 483 552	2 350 500	-	(2 722 536)	9 111 515	17 942 960
Computer Equipment	2 229 106	145 560	(426 238)	-	-	1 948 428	846 465	306 612	-	(283 176)	869 901	1 078 527
Motor Vehicles	17 270 146	-	(3 689 073)	-	-	13 581 073	4 938 716	1 016 211	-	(1 803 023)	4 151 905	9 429 168
Office Equipment	5 158 871	89 722	(573 362)	-	-	4 675 231	1 725 884	446 469	-	(271 588)	1 900 766	2 774 465
Plant & Equipment	6 085 341	106 584	(764 916)	-	-	5 427 008	1 556 323	524 820	-	(364 750)	1 716 393	3 710 615
Specialised Vehicles	1 422 735	-	-	-	-	1 422 735	416 163	56 388	-	-	472 551	950 184
	615 461 701	36 242 732	(5 854 274)	-	-	645 850 159	219 550 302	13 500 789	(16 537)	(2 815 133)	230 219 421	415 630 737

As previously reported

417 781 396

Correction of error restatement - note 41.03

(2 150 661)

Restated balance

415 630 735

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	67 888 795	67 942 045
Cost	68 208 030	68 208 030
Accumulated Depreciation	(319 235)	(265 985)
Depreciation for the year	(53 250)	(53 250)
Net Carrying amount at 30 June	67 835 546	67 888 795
Cost	68 208 030	68 208 030
Accumulated Depreciation	(372 484)	(319 235)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No operating expenditure was incurred on investment property during the 2014/2015 and 2013/2014 financial year.

14 INTANGIBLE ASSETS		
Net Carrying amount at 1 July	239 807	303 370
Cost	396 463	396 463
Accumulated Amortisation	(156 656)	(93 093)
Additions	23 163	-
Amortisation Charge	(49 929)	(63 563)
Disposal	(6 713)	-
Cost	(11 597)	-
Accumulated Depreciation	4 885	-
Net Carrying amount at 30 June	206 327	239 807
Cost	408 028	396 463
Accumulated Amortisation	(201 701)	(156 656)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

15 LONG-TERM RECEIVABLES		
Electra Capital (Pty) Ltd	1 020 145	-
Total Long-Term Receivables	1 020 145	-

Electra Capital (Pty) Ltd was invoiced R5 292 000 (included VAT) by the Municipality for a bulk infrastructure contribution levy. An agreement was entered into whereby Electra Capital (Pty) Ltd will repay the levy in five instalments, of which the last instalment is payable September 2016. The infrastructure contribution levy was for the Paleisheuvel solar panel project.

16 INVENTORY		
Maintenance Materials - at cost	660 720	1 401 074
Water – at cost	100 402	94 759
Land held for sale	1 254 260	1 286 260
Total Inventory	2 015 382	2 782 093
Consumable stores materials surpluses/(losses) identified during the annual stores counts	-	324
Inventory recognised as an expense during the year	671 091	771 928

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17		2015 R	2014 R
	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	14 927 029	12 476 309
	Water	17 928 430	11 406 165
	Refuse	6 273 140	4 068 934
	Sewerage	8 206 924	6 350 445
	Loan Instalments	45 542	44 355
	Other	3 744 011	1 117 178
	Total Receivables from Exchange Transactions	51 125 076	35 463 385
	Less: Allowance for Doubtful Debts	(20 830 150)	(17 418 469)
	Total Net Receivables from Exchange Transactions	30 294 926	18 044 916
	As previously reported		19 610 353
	Correction of error restatement - note 41.04		(1 565 437)
	Restated balance		18 044 916

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	17 418 469	15 473 262
Contribution to provision	3 411 681	4 721 372
Bad Debts Written Off	-	(2 776 165)
Balance at end of year	20 830 150	17 418 469

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2015			
Electricity	14 927 029	(4 052 344)	10 874 686
Water	17 928 430	(8 645 590)	9 282 840
Refuse	6 273 140	(2 943 109)	3 330 031
Sewerage	8 206 924	(4 495 691)	3 711 233
Loan Instalments	45 542	(45 533)	9
Other	3 744 011	(647 884)	3 096 127
Total	51 125 076	(20 830 150)	30 294 926
2014			
Electricity	12 476 309	(4 449 381)	8 026 928
Water	11 406 165	(6 333 784)	5 072 381
Refuse	4 068 934	(2 050 391)	2 018 543
Sewerage	6 350 445	(3 842 045)	2 508 400
Loan Instalments	44 355	(43 984)	372
Other	1 117 178	(698 885)	418 293
Total	35 463 385	(17 418 469)	18 044 916

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Ageing of Receivables from Exchange Transactions:		
<u>Electricity:</u>		
Current (0 - 30 days)	6 108 099	5 174 651
31 - 60 Days	1 405 287	1 050 635
61 - 90 Days	609 338	643 521
+ 90 Days	6 804 305	5 607 501
Total	14 927 029	12 476 309
<u>Water:</u>		
Current (0 - 30 days)	2 543 137	1 961 540
31 - 60 Days	1 212 116	811 704
61 - 90 Days	994 466	598 745
+ 90 Days	13 178 711	8 034 176
Total	17 928 430	11 406 165
<u>Refuse:</u>		
Current (0 - 30 days)	619 281	485 362
31 - 60 Days	414 347	262 167
61 - 90 Days	339 183	214 898
+ 90 Days	4 900 329	3 106 507
Total	6 273 140	4 068 934
<u>Sewerage:</u>		
Current (0 - 30 days)	736 742	798 601
31 - 60 Days	441 501	331 278
61 - 90 Days	330 725	274 242
+ 90 Days	6 697 956	4 946 324
Total	8 206 924	6 350 445
<u>Other:</u>		
Current (0 - 30 days)	2 945 772	70 555
31 - 60 Days	90 668	109 570
61 - 90 Days	20 900	138 293
+ 90 Days	686 670	798 760
Total	3 744 011	1 117 178
<u>Loan Instalments:</u>		
Current (0 - 30 days)	389	367
31 - 60 Days	387	391
61 - 90 Days	385	376
+ 90 Days	44 380	43 221
Total	45 542	44 355
<u>Total:</u>		
Current (0 - 30 days)	12 953 420	8 491 076
31 - 60 Days	3 564 307	2 565 745
61 - 90 Days	2 294 998	1 870 076
+ 90 Days	32 312 352	22 536 488
Total	51 125 076	35 463 385

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2015	2014
	R	R
Rates	22 265 971	19 357 402
Traffic Fines	4 451 394	2 337 650
Other Receivables	426 019	763 118
Suspense Debtors	110 566	447 665
Deposits	315 453	315 453
Total Receivables from Non-Exchange Transactions	27 143 383	22 458 170
Less: Allowance for Doubtful Debts	(18 884 290)	(15 934 371)
Total Net Receivables from Non-Exchange Transactions	8 259 093	6 523 800
As previously reported		7 330 772
Correction of error restatement - note 41.05		(806 972)
Restated balance		6 523 800

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Due to the prospective application of the revised IGRAP 1, the Municipality raised a receivable as well as an impairment charge on unpaid fines in the current year.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	15 934 371	13 537 352
Contribution to provision	2 949 919	2 946 433
Bad Debts Written Off	-	(549 415)
Balance at end of year	18 884 290	15 934 371

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

	Gross Balance	Allowance for	Net balance
	R	Doubtful Debts	R
		R	
2015			
Rates	22 265 971	(14 855 277)	7 410 693
Traffic Fines	4 451 394	(4 029 013)	422 381
Other Receivables	426 019	-	426 019
Total	27 143 383	(18 884 290)	8 259 093
2014			
Rates	19 357 402	(14 066 677)	5 290 726
Traffic Fines	2 337 650	(1 867 694)	469 956
Other Receivables	763 118	-	763 118
Total	22 458 170	(15 934 371)	6 523 800

Ageing of Receivables from Non-Exchange Transactions

Rates:

Current (0 - 30 days)	3 343 668	2 194 924
31 - 60 Days	1 192 137	1 052 847
61 - 90 Days	836 211	888 593
+ 90 Days	16 893 955	15 221 038
Total	22 265 971	19 357 402

Traffic Fines:

Current (0 - 30 days)	300 100	157 598
31 - 60 Days	267 413	140 432
61 - 90 Days	258 787	135 902
+ 90 Days	3 625 094	1 903 718
Total	4 451 394	2 337 650

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Other Receivables:</u>		
Current (0 - 30 days)	-	415 020
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	426 019	348 098
Total	426 019	763 118
<u>Total:</u>		
Current (0 - 30 days)	3 643 768	2 767 542
31 - 60 Days	1 459 550	1 193 279
61 - 90 Days	1 094 998	1 024 495
+ 90 Days	20 945 068	17 472 854
Total	27 143 383	22 458 170

19 OPERATING LEASE ARRANGEMENTS

19.1 The Municipality as Lessee (Liability)

Balance on 1 July	18 417	14 410
Movement during the year	(14 684)	4 007
Balance on 30 June	3 733	18 417

At the Statement of Financial Position date, where the Municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	42 350	236 712
1 to 5 Years	-	42 350
More than 5 Years	-	-
Total Operating Lease Arrangements	42 350	279 062

Operating leases consist out of two leases. Both leases are for a period of 36 months and the contracts lapse on 30 June 2015 and 31 January 2016 respectively. The lease payments escalate at a rate of 10% per annum. Renewal of the leases at the end of the term are available.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not pay any contingent rent during the year.

19.2 The Municipality as Lessor (Asset)

Balance on 1 July	45 125	61 090
Movement during the year	(21 696)	(15 965)
Balance on 30 June	23 430	45 125

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	72 835	101 739
1 to 5 Years	-	72 835
More than 5 Years	-	-
Total Operating Lease Arrangements	72 835	174 573

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out to 2 different lessors (2014 - 2 lessors) for periods ranging from 2006 until 2016. Escalation between 8 and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not receive any contingent rent during the year

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 CASH AND CASH EQUIVALENTS

Assets

	2015 R	2014 R
Call Investments Deposits	5 072 864	1 270 580
Bank Accounts	1 480 877	2 043 960
Cash Floats	7 230	7 230
Total Cash and Cash Equivalents - Assets	6 560 971	3 321 770

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality has an overdraft facility of R6 million with ABSA Bank.

Detail of the Bank Accounts (Cash book balances) are as follow:

Cash book balance at beginning of year	2 043 960	1 484 595
Cash book balance at end of year	1 480 877	2 043 960

Bank accounts consists out of the following accounts:

ABSA - Account number 40-5357-8397 (Current Account)

Bank statement balance at beginning of year	1 601 629	695 113
Bank statement balance at end of year	524 794	1 601 629

ABSA - Account number 40-7639-1003 (Traffic Account)

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

ABSA - Account number 40-7639-1273 (Service Account)

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	284 948	-

ABSA - Account number 40-7873-7035 (Elands Bay Fish Factory Account)

Bank statement balance at beginning of year	5 088	97 391
Bank statement balance at end of year	2 065	5 088

Standard Bank - Account number 082163324 (Eskom Guarantee Account)

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	20 502	-

Summary of all bank accounts

Bank statement balance at beginning of year	1 606 716	792 504
Bank statement balance at end of year	832 308	1 606 716

Call Investment Deposits

Call investment deposits consist out of the following accounts:

ABSA - Acc no 9282399664	5 072 864	1 270 580
Total Call Investment Deposits	5 072 864	1 270 580

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
21	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	46 414 601	43 269 432
	Less: Rebates	(16 379 201)	(16 325 612)
	Total Assessment Rates	30 035 400	26 943 820
	As previously reported		26 859 319
	Correction of error restatement - note 41.05		84 501
	Restated balance		26 943 820
	 <u>Valuations - 1 JULY 2013</u>		
	Rateable Land and Buildings		
	General	4 275 598 466	4 231 377 386
	Total Assessment Rates	4 275 598 466	4 231 377 386
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Intrim valuations are processed on an annual basis to include changes in property values and subdivisions.		
	Rates:		
	General Valuation	1.148c/R	1.065c/R
	Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
22	OTHER TAXES		
	Refuse Removal Infrastructure Levy	1 376 960	-
	Sanitation Infrastructure Levy	1 095 285	-
	Water Infrastructure Levy	6 173 803	3 331 024
	Total Other Taxes	8 646 048	3 331 024
	The infrastructure levy is a fixed levy on residential and commercial property. This levy is used for maintaining and extending infrastructure.		
23	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	30 797 078	28 190 415
	Equitable Share	30 797 078	28 188 000
	Provincial Health Subsidy	-	2 415
	Conditional Grants	64 851 118	55 297 835
	Financial Management Grant (FMG)	1 450 000	1 300 000
	Municipal Systems Improvement Grant (MSIG)	934 000	890 000
	Municipal Infrastructure Grant (MIG)	14 917 000	8 623 000
	Human Settlement Development Grant	5 692 245	-
	Integrated National Electrification Programme	2 353 483	7 134 906
	Regional Bulk Infrastructure Grant (RBIG)	9 000 242	18 169 192
	Library Services MRF	3 270 095	2 927 000
	Marine Living Resources Fund	18 824 021	12 269 483
	Financial Management Support Grant	274 983	467 193
	Other Grants	8 135 049	3 517 061
	Total Government Grants and Subsidies	95 648 196	83 488 250
	Government Grants and Subsidies - Operating	60 862 586	48 431 297
	Government Grants and Subsidies - Capital	34 785 610	35 056 953
	Total Government Grants and Subsidies	95 648 196	83 488 250

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	30 797 078	28 188 000
Office of the Municipal Manager	287 719	-
Financial Services	1 525 418	1 300 000
Community Development Services	28 451 966	17 527 660
Corporate and Strategic Services	1 149 272	467 193
Engineering and Planning Services	33 436 743	36 005 397
	95 648 196	83 488 250

The Municipality does not expect any significant changes to the level of grants.

23.01 Equitable share

Opening balance	-	-
Grants received	30 797 078	28 188 000
Conditions met - Operating	(30 797 078)	(28 188 000)
Conditions met - Capital	-	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Municipality by the National Treasury.

23.02 Provincial Health Subsidy

Opening balance	-	-
Grants received	-	2 415
Conditions met - Operating	-	(2 415)
Conditions met - Capital	-	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

Health subsidies was used fund primary health care services in the municipal area.

23.03 Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 450 000	1 300 000
Conditions met - Operating	(1 450 000)	(1 300 000)
Conditions met - Capital	-	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.04 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	934 000	890 000
Conditions met - Operating	(603 803)	(866 202)
Conditions met - Capital	(330 197)	(23 798)
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23.05 Municipal Infrastructure Grant (MIG)		
Opening balance	-	-
Grants received	14 917 000	8 623 000
Conditions met - Operating	(746 521)	(847 767)
Conditions met - Capital	(14 170 479)	(7 775 233)
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

The grant was used to upgrade infrastructure in previously disadvantaged areas.

23.06 Human Settlement Development Grant

Opening balance	-	-
Grants received	5 692 245	-
Conditions met - Operating	(1 032 853)	-
Conditions met - Capital	(4 659 392)	-
	<u>-</u>	<u>-</u>
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

Housing grants was utilised for the development of erven and the erection of top structures.

23.07 Integrated National Electrification Programme

Opening balance	1 365 094	158 597
Grants received	1 000 000	8 500 000
Conditions met - Operating	-	-
Conditions met - Capital	(2 353 483)	(7 134 906)
Paid back to Treasury	-	(158 597)
Conditions still to be met/(Grant expenditure to be recovered)	<u>11 611</u>	<u>1 365 094</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

23.08 Regional Bulk Infrastructure Grant (RBIG)

Opening balance	-	-
Grants received	9 000 242	18 169 192
Conditions met - Operating	-	-
Conditions met - Capital	(9 000 242)	(18 169 192)
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

The Regional Bulk Infrastructure Grant is used for the upgrade water infrastructure.

23.09 Library Services MRF

Opening balance	-	-
Grants received	3 285 000	2 927 000
Conditions met - Operating	(3 253 844)	(2 927 000)
Conditions met - Capital	(16 251)	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>14 905</u>	<u>-</u>

The Library Services (Municipal Replacement Fund) Grant is used to pay the salaries of library staff.

23.10 Marine Living Resources Fund

Opening balance	-	-
Grants received	18 824 021	12 269 483
Conditions met - Operating	(18 824 021)	(12 269 483)
Conditions met - Capital	-	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

Marine Living Resource Fund is used for the Elands Bay fishing infrastructure implementation plan.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23.11 Financial Management Support Grant		
Opening balance	118 476	185 669
Grants received	750 000	400 000
Conditions met - Operating	(274 983)	(467 193)
Conditions met - Capital	-	-
Paid back to Treasury	-	-
Conditions still to be met/(Grant expenditure to be recovered)	593 493	118 476
The Financial Management Grant is paid by Provincial Treasury to municipalities to help implement revenue enhancement.		
23.12 Other Grants		
Opening balance	(22 118)	144 564
Grants received	9 625 461	3 545 379
Conditions met - Operating	(3 879 484)	(1 563 237)
Conditions met - Capital	(4 255 565)	(1 953 824)
Paid back to Treasury	-	(195 000)
Conditions still to be met/(Grant expenditure to be recovered)	1 468 294	(22 118)
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
23.13 Total Grants		
Opening balance	1 461 452	488 831
Grants received	96 275 046	84 814 469
Conditions met - Operating	(60 862 586)	(48 431 297)
Conditions met - Capital	(34 785 610)	(35 056 953)
Paid back to Treasury	-	(353 597)
Conditions still to be met/(Grant expenditure to be recovered)	2 088 303	1 461 452
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	2 501 028	1 874 177
Unpaid Conditional Government Grants and Receipts	(412 725)	(412 725)
	2 088 303	1 461 452
24 FINES		
Traffic Fines	3 006 400	3 110 280
Library fines	13 614	14 165
Meter tampering fines	9 717	5 947
Total Fines	3 029 731	3 130 392
As previously reported		2 590 242
Correction of error restatement - note 41.05		540 150
Restated balance		3 130 392
25 TRANSFER OF ASSETS		
Property, Plant and Equipment received from the Department of Housing	8 573 245	-
Total Transfer of Assets	8 573 245	-
26 ACTUARIAL (GAINS)/LOSSES		
Post Retirement Benefits - note 4.1	(573 047)	2 362 297
Long Service Bonuses - note 4.2	155 843	18 027
Total Actuarial (Gains)/Losses	(417 204)	2 380 324

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
27	REVERSAL OF IMPAIRMENTS		
	Property, Plant and Equipment	46 078	16 537
	Total Impairments	46 078	16 537
	The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.		
28	SERVICE CHARGES		
	Electricity	65 154 052	57 977 944
	Water	14 864 913	11 061 292
	Refuse removal	5 284 817	4 883 096
	Sewerage and Sanitation Charges	8 760 223	7 722 471
		94 064 006	81 644 803
	Less: Rebates	(4 143 735)	(3 541 251)
	Total Service Charges	89 920 271	78 103 552
	As previously reported		78 868 882
	Correction of error restatement - note 41.04		(765 330)
	Restated balance		78 103 552
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
29	RENTAL OF FACILITIES AND EQUIPMENT		
	Resort and camping fees	2 893 098	2 524 673
	Other rentals	356 645	314 523
	Total Rental of Facilities and Equipment	3 249 742	2 839 196
	As previously reported		2 818 019
	Correction of error restatement - note 41.04		21 177
	Restated balance		2 839 196
	Other rentals include the rental of halls, sports facilities, hawkers stands, buildings, slipways and other diverse items.		
30	LICENCES AND PERMITS		
	Drivers Licence Applications	183 357	151 735
	Drivers Licences Issued	260 000	238 796
	Duplicate Registration Certificates	46 002	44 715
	Keeping of Registration Number	12 190	12 280
	Learner Licence Applications	101 583	85 161
	Learner Licences Issued	26 292	22 734
	Professional Drivers Permit Applications	59 720	57 131
	Professional Drivers Permits Issued	22 468	20 728
	Roadworthy Certificate Applications	202 520	192 810
	Roadworthy Certificates Issued	40 729	39 166
	Temporary and special permits	15 684	12 018
	Total Licences and Permits	970 546	877 274

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

31		2015 R	2014 R
	OTHER INCOME		
	Building Plan Fees	459 422	321 299
	Cemetery Fees	83 749	87 912
	Collection Fees Recovered	174 627	120 503
	Connection Fees	158 603	206 291
	Copies and Faxes	20 365	25 726
	Decrease in liability portion exceeding carrying value of asset	-	340 069
	Infrastructure contributions for developments	4 509 713	95 860
	Profit with sale of land held for sale	357 746	119 996
	Rates clearance certificates	28 845	26 534
	Re-connection Fees	24 651	10 923
	SETA Recoveries	57 671	55 254
	Settlement Discounts	117 413	91 786
	Tender Documents	89 607	51 381
	Unknown receipts recognised as income	108 803	391 074
	Valuation Certificates	18 215	15 665
	Sundry Income	108 778	106 014
	Total Other Income	6 318 209	2 066 287

Infrastructure contributions for developments increased significantly due to reasons as stated as per note 15.

Sundry income represents sundry income such as sale of sundry items (wood, sand and stones) and fees for items not included under service charges

32	EMPLOYEE RELATED COSTS		
	Bargaining Council Levy	25 248	22 520
	Bonuses	3 623 897	3 074 206
	Contribution to current employee benefits - Staff Leave - note 7	585 055	604 457
	Contribution to current employee benefits - Performance Bonuses - note 7	-	(124 277)
	Contribution to non-current employee benefits - Long Service Awards - note 4	251 592	253 081
	Contribution to non-current employee benefits - Post Retirement Medical - note 4	1 651 861	1 249 432
	Contributions for UIF, pensions and medical aids	9 902 565	8 894 359
	Group Life Insurance	889 058	778 602
	Housing Subsidy	356 593	220 083
	Overtime	3 004 098	2 425 865
	Salaries and Wages	43 691 389	43 889 345
	SDL Contributions	568 053	482 017
	Travel, motor car, telephone, assistance and other allowances	5 995 921	4 853 505
	Workmen's Compensation	357 764	415 901
	Total Employee Related Costs	70 903 094	67 039 096
	As previously reported		67 026 517
	Correction of error restatement - note 41.02		12 579
	Restated balance		67 039 096

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
MANAGEMENT PERSONNEL		
The Municipal Manager and Directors are appointed on a 5-year fixed contract.		
REMUNERATION OF MANAGEMENT PERSONNEL		
<i>Municipal Manager - I.B.R Kenned (terminated July 2015)</i>		
Annual Remuneration	1 127 573	1 139 905
Performance Bonus / 13th Cheque	118 981	118 981
Car Allowance	120 000	120 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	195 636	184 018
Total	1 562 190	1 562 904
<i>Director: Engineering Services - P Majeni</i>		
Annual Remuneration	654 725	656 719
Performance Bonus / 13th Cheque	80 446	80 446
Housing Allowance	72 000	72 000
Car Allowance	120 780	120 780
Contributions to UIF, Medical, Pension Funds and Bargaining Council	128 263	128 760
Total	1 056 215	1 058 705
<i>Director: Corporate Services - W.G.D October (terminated November 2014)</i>		
Annual Remuneration	378 225	679 486
Performance Bonus / 13th Cheque	53 631	80 446
Car Allowance	12 500	150 000
Leave paid	186 093	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	34 839	148 652
Total	665 288	1 058 585
<i>Director: Community Services - J France</i>		
Annual Remuneration	716 403	718 397
Performance Bonus / 13th Cheque	80 446	80 446
Car Allowance	120 000	120 000
Acting Allowance	-	17 462
Contributions to UIF, Medical, Pension Funds and Bargaining Council	139 210	139 889
Total	1 056 059	1 076 194
<i>Director: Finance - E Alfred</i>		
Annual Remuneration	649 466	701 956
Performance Bonus / 13th Cheque	80 446	80 446
Car Allowance	198 000	120 000
Acting Allowance	-	6 325
Contributions to UIF, Medical, Pension Funds and Bargaining Council	128 699	156 260
Total	1 056 611	1 064 988

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REMUNERATION OF COUNCILLORS

Executive Mayor - L Scheepers (20 August 2013 to 16 July 2015)	679 108	572 793
Executive Mayor - R J White (terminated 6 June 2013)	-	29 411
Deputy Mayor - C September (appointed 20 August 2013)	542 396	440 864
Deputy Mayor - L Scheepers (terminated 20 August 2013)	-	77 146
Speaker	544 021	540 590
Mayoral Committee Members	1 007 487	917 347
Councillors	1 534 353	1 498 234
Total Councillors' Remuneration	4 307 365	4 076 385

In-kind Benefits

The Executive Mayor, Deputy Mayor, Speaker and Mayoral committee Members serve in a full-time capacity. They are provided with secretarial support and office accommodation at the cost of the Council.

Councillors may utilize municipal transportation when engaged in official duties

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
34	DEBT IMPAIRMENT		
	Trade Receivables from exchange transactions - note 17	3 411 681	4 721 372
	Trade Receivables from non-exchange transactions - note 18	2 949 919	2 946 433
	Total Contribution to Impairment Provision	6 361 600	7 667 805
	Less: Portion Relating to VAT - note 11	(345 941)	(147 298)
	Total Debt Impairment	6 015 659	7 520 507
	As previously reported		6 959 004
	Correction of error restatement - note 41.05		561 503
	Restated balance		7 520 507
35	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	13 266 434	13 500 789
	Investment Property	53 250	53 250
	Intangible Assets	49 929	63 563
	Total Depreciation and Amortisation	13 369 613	13 617 602
	As previously reported		13 592 473
	Correction of error restatement - note 41.03		25 130
	Restated balance		13 617 602
36	FINANCE CHARGES		
	Eskom Holdings Limited	1 581 977	219 836
	Long-term Liabilities	1 771 006	1 977 332
	Non-Current Employee Benefits - Long Service Awards	211 818	177 666
	Non-Current Employee Benefits - Post Retirement Benefits	1 965 521	1 520 353
	Non-Current Provisions - Rehabilitation of Landfill Sites	1 030 010	906 255
	South African Revenue Services (SARS)	-	8 695
	Total Finance Charges	6 560 331	4 810 137
37	BULK PURCHASES		
	Electricity	56 142 209	55 503 095
	Water	1 011 402	760 467
	Total Bulk Purchases	57 153 610	56 263 562
	As previously reported		56 019 912
	Correction of error restatement - note 41.02		243 650
	Restated balance		56 263 562

Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including DWAF and a number of private suppliers.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
38	GENERAL EXPENSES		
	Advertising	180 013	111 300
	Asset Stocktake	21 330	10 157
	Audit Fees	2 797 442	3 016 704
	Bank Charges	744 784	440 774
	Chemicals	281 462	322 447
	Cleaning Materials	123 247	96 254
	Commission paid	972 327	783 110
	Connection Materials	108 931	79 785
	Consulting and Professional Fees	24 327 120	17 075 502
	Entertainment	117 944	168 571
	Fine collections	126 420	355 342
	Fuel and Oil	2 491 828	2 685 934
	Insurance	540 861	606 411
	Insurance claims	43 448	207 936
	Legal Fees	3 608 435	2 995 798
	Licences	167 521	151 197
	Licences Software	1 465 525	1 501 627
	Membership Fees	794 739	590 025
	Postal Fees	43 724	169 563
	Printing and Stationary	984 196	931 397
	Protective clothing	223 373	191 307
	Rentals	493 891	238 267
	Rural Development	1 037 789	324 803
	Sample Tests	141 959	374 758
	Security	1 670 850	1 618 878
	Special Programmes	704 215	1 090 016
	Telephone	1 994 414	1 902 753
	Tourism	456 624	613 736
	Training	315 030	434 551
	Travelling and Subsistence	1 559 394	1 462 193
	Valuations	392 696	400 035
	Vehicle Licences	123 487	131 585
	Other Expenditure	1 072 051	760 592
	Total General Expenses	50 127 065	41 843 308

Special Programmes include poverty relief programmes, celebration of national holidays, public participation, ward based community programmes and other projects funded from own revenue.

39	LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
	Cash Proceeds	482 437	854 316
	Disposal of Liability - note 5	-	262 015
	Total Proceeds	482 437	1 116 331
	Less: Carrying value of Property, Plant and Equipment disposed	(2 508 919)	(3 039 140)
	Total Loss on Disposal of Property, Plant and Equipment	(2 026 482)	(1 922 809)

40	LOSS ON DISPOSAL OF INTANGIBLE ASSETS		
	Cash proceeds	-	-
	Less: Carrying value of Intangible Assets disposed	(6 713)	-
	Total Loss on Disposal of Intangible Assets	(6 713)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2014 R
41	CORRECTION OF ERROR IN TERMS OF GRAP 3	
41.01	Accumulated Surplus - 1 July 2013	
	Payables from Exchange Transactions - note 41.02	(716 842)
	Property, Plant and Equipment - note 41.03	(2 125 531)
	Receivables from Exchange Transactions - note 41.04	(614 497)
	Receivables from Non-Exchange Transactions - note 41.05	(749 745)
	Total adjustments	<u>(4 206 615)</u>
41.02	Payables from Exchange Transactions	
	Since 2009 the Municipality has attempted to engage with the Department of Water Affairs (DWA) with regards to queries on the invoices submitted by DWA. During 2014/15 engagements were held with DWA and reconciliations were performed which revealed that the Municipality had an additional liability towards DWA amounting to R1 090 296	
	In addition, expenses amounting to R12 579 which relates to the 2013/14 financial year were not accrued for as on 30 June 2014.	
	Refer to Payables from Exchange Transactions - note 8	(1 102 875)
	Refer to Taxes - note 11	129 804
	Refer to Employee Related Costs - note 32	12 579
	Refer to Bulk Purchases - note 37	243 650
	Refer to Accumulated Surplus - 1 July 2013 - note 41.01	716 842
41.03	Property, Plant and Equipment	
	Included in Land and Buildings were two erven which sub-divided. Both the mother erven and sub-divided erven were incorrectly included in the asset register. Land and Buildings was therefor overstated by R2 412 227.	
	Other Assets (movable assets) previously not included in the asset register amounting to R261 556 were identified during the current years asset verification.	
	Refer to Property, Plant and Equipment - note 12	(2 150 661)
	Refer to Depreciation and Amortisation - note 35	25 130
	Refer to Accumulated Surplus - 1 July 2013 - note 41.01	2 125 531
41.04	Receivables from Exchange Transactions	
	Corrections made to Receivables from Exchange Transactions include the following:	
	- Reversal of levies on faulty electricity and water meters.	
	- Rental income received was credited to the debtor's account, but the income was never recognised in the Statement of Financial Performance.	
	- Availability fees were incorrectly levied on impermissible stands and erven.	
	- Where interest were charged on the principle debt which was reversed, that interest was also subsequently reversed.	
	Refer to Taxes - note 11	161 466
	Refer to Receivables from Exchange Transactions - note 17	(1 565 437)
	Refer to Service Charges - note 28	765 330
	Refer to Rental of Facilities and Equipment - note 29	(21 177)
	Refer to Accumulated Surplus - 1 July 2013 - note 41.01	614 497
	Refer to Statement of Financial Performance - Interest Earned - outstanding debtors - note 41.06	45 322
41.05	Receivables from Non-Exchange Transactions	
	Corrections made to Receivables from Non-Exchange Transactions include the following:	
	- Property Rates were incorrectly levied on impermissible and/or expropriated stands and erven	
	- Rebates were awarded to indigents, but the rates was not levied in the first place.	
	- Where interest were charged on the principle debt which was reversed, that interest was also subsequently reversed.	
	- Fines issued by Provincial Traffic were not accrued for and accordingly no provision for debt impairment was calculated	
	Refer to Receivables from Non-Exchange Transactions - note 18	(806 972)
	Refer to Property Rates - note 21	(84 501)
	Refer to Fines - note 24	(540 150)
	Refer to Debt Impairment - note 34	561 503
	Refer to Accumulated Surplus - 1 July 2013 - note 41.01	749 745
	Refer to Statement of Financial Performance - Interest Earned - outstanding debtors - note 41.06	120 376

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**2014
R**

41.06 Statement of Financial Performance

Interest Earned - outstanding debtors	2 551 332
As previously reported	2 717 029
Correction of error restatement - note 41.04	(45 322)
Correction of error restatement - note 41.05	(120 376)

	2015 R	2014 R
42 RECONCILIATION BETWEEN SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	34 398 987	149 422
Depreciation and amortisation	13 369 613	13 617 602
Transfer of Assets	(8 573 245)	-
Reversal of Impairments	(46 078)	(16 537)
Loss on disposal of Property, Plant and Equipment	2 026 482	1 922 809
Loss on disposal of Intangible Assets	6 713	-
Contribution from/to employee benefits - non-current	4 080 792	3 200 532
Contribution from/to employee benefits - non-current - expenditure incurred	(857 763)	(771 539)
Contribution from/to employee benefits - non-current - net actuarial losses/(gains)	(417 204)	2 380 324
Contribution to employee benefits – current	2 478 499	2 373 623
Contribution to employee benefits – current - expenditure incurred	(2 147 700)	(2 390 109)
Contribution to provisions – non-current	1 030 010	906 255
Contribution to provisions – bad debt	6 361 600	7 667 805
Bad debts written off	-	(3 325 580)
Operating lease income accrued	21 696	15 965
Operating lease expenses accrued	(14 684)	4 007
Grants Received	96 275 046	84 814 469
Grant Expenditure and Transfers	(95 648 196)	(83 488 250)
Grants paid back to Treasury	-	(353 597)
Decrease in liability portion exceeding carrying value of asset	-	(340 069)
Operating Surplus before changes in working capital	52 344 567	26 367 133
Changes in working capital	(21 369 762)	8 596 188
Increase/(Decrease) in Payables from Exchange Transactions	(860 155)	12 756 789
(Decrease)/Increase in Taxes	351 463	1 828 024
Increase in Long-Term Debtors	(1 020 145)	-
Decrease in Inventory	505 979	99 809
(Increase) in Trade and other Receivables	(20 346 904)	(6 088 435)
Cash generated by operations	30 974 805	34 963 321

43 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - note 20	5 072 864	1 270 580
Cash Floats - note 20	7 230	7 230
Bank - note 20	1 480 877	2 043 960
Total cash and cash equivalents	6 560 971	3 321 770

44 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 43	6 560 971	3 321 770
Less:	2 501 028	1 874 177
Unspent Committed Conditional Grants - note 9	2 501 028	1 874 177
Resources available for working capital requirements	4 059 943	1 447 593

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	22 588 976	17 806 742
Used to finance property, plant and equipment - at cost	(22 588 976)	(17 806 742)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
46	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
46.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	9 134 915	4 607 963
	Unauthorised expenditure current year - operating	-	6 913 619
	Unauthorised expenditure current year - capital	-	45 075
	Prior year unauthorised expenditure identified in the current year	-	2 176 221
	Written off by council	(9 134 915)	(4 607 963)
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	-	9 134 915

Incident	Disciplinary steps/criminal proceedings
<i>Overspending of total amounts appropriated per vote in the approved budget</i>	<i>None</i>

	2015 Actual R	2015 Final Budget R	2015 Variance R	2015 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Community Development Services	44 453 786	55 640 571	(11 186 785)	-
Corporate and Strategic Services	22 538 666	23 389 862	(851 196)	-
Engineering and Planning Services	109 842 745	110 191 007	(348 262)	-
Financial Services	32 235 112	32 799 041	(563 929)	-
General Council	4 633 438	4 774 011	(140 573)	-
Office of the Municipal Manager	3 476 026	3 566 603	(90 577)	-
	217 179 773	230 361 095	(13 181 322)	-
<u>Unauthorised expenditure current year - capital</u>				
Community Development Services	8 377 978	8 754 093	(376 115)	-
Corporate and Strategic Services	730 856	970 000	(239 144)	-
Engineering and Planning Services	24 001 263	42 082 386	(18 081 123)	-
Financial Services	13 545	30 000	(16 455)	-
General Council	37 392	250 000	(212 608)	-
Office of the Municipal Manager	-	-	-	-
	33 161 033	52 086 479	(18 925 446)	-

46.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	307 825	723 184
Fruitless and wasteful expenditure - current year	-	-
Fruitless and wasteful expenditure - prior year	-	8 197
Transfer to receivables for recovery	-	(29 500)
Condoned or written off by Council	(51 416)	(394 057)
Fruitless and wasteful expenditure awaiting further action	256 409	307 825

Incident	Disciplinary steps/criminal proceedings		
<i>Loss of revenue due to electricity vendor who did not pay electricity sales to Municipality.</i>	<i>Reported to the SAPS. Case number 156/01/2013.</i>	256 409	256 409
<i>SARS interest and penalties on PAYE, UIF and SDL relating to various periods from 2003 to before 30 June 2012.</i>	<i>Matter will be send to MPAC for further investigation</i>	-	51 416
		256 409	307 825

Included in Finance Charges is an amount of R1 659 211 (2014 - R219 835) relating to interest charged by Eskom. The Municipality is currently in an on-going dispute with Eskom. This dispute has been registered at NERSA complaints department.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
46.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	3 131 076	1 929 646
Irregular expenditure - current year	-	1 357 498
Irregular expenditure - prior year	-	-
Written off by council	(1 357 498)	(156 068)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	1 773 578	3 131 076

Incident	Disciplinary steps/criminal proceedings		
Non-compliance with SCM.	Transactions will be forwarded to MPACC	-	1 357 498
Property sold for substantially less than market value	Recovery process is underway. Case number 43/05/2013.	1 773 578	1 773 578
		1 773 578	3 131 076

47 MATERIAL LOSSES**Water distribution losses**

Kilo litres disinfected/purified/purchased	3 721 465	3 412 310
Kilo litres sold and free basic services	(3 198 934)	(2 809 688)
Kilo litres lost during distribution	522 531	602 622
Percentage lost during distribution	14.04%	17.66%

Normal pipe bursts and field leakages are responsible for water losses.

Electricity distribution losses

Units purchased (Kwh)	63 789 868	62 358 472
Units sold, free basic services and standard friction losses	(55 007 918)	(54 347 397)
Units lost during distribution (Kwh)	8 781 950	8 011 075
Percentage lost during distribution	13.77%	12.85%

The reason for the increase in electricity losses is due to electricity theft on pre-paid meters. Fines were issued for first time offenders.

48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	773 789	581 166
Amount paid - current year	(773 789)	(581 166)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

48.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	454 940	385 974
Current year audit fee	2 874 732	3 542 832
External Audit - Auditor-General	2 797 442	3 445 345
Audit Committee	77 291	97 487
Amount paid - current year	(3 329 672)	(3 473 866)
Balance unpaid (included in creditors)	-	454 940

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
48.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(1 315 227)	2 564 758
Amounts received - current year	(2 571 917)	(6 714 458)
Amounts claimed - current year	4 230 039	2 834 473
Closing balance - Receivable	342 895	(1 315 227)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

48.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	698 968	604 118
Current year payroll deductions and Council Contributions	8 587 140	7 668 113
Amount paid - current year	(8 515 126)	(7 573 264)
Balance unpaid (included in creditors)	770 982	698 968

48.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	16 248 712	15 019 797
Amount paid - current year	(16 248 712)	(15 019 797)
Balance unpaid (included in creditors)	-	-

48.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:		
Councillor PJ Petersen	14 511	13 565
Total Councillor Arrear Consumer Accounts	14 511	13 565

48.7 Other non-compliance (MFMA 125(2)(e))**(a) Deviations**

All the deviations were ratified by the Municipal Manager and reported to Council.

Section 36(1)(a)(i) - Emergencies	420 205	384 890
Section 36(1)(a)(ii) - Single provider	67 876	197 023
Section 36(1)(a)(iii) - Specialised services	-	-
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical so follow official procurement process	4 907 263	2 958 741
	5 395 344	3 540 654
Office of the Municipal Manager	765 708	44 566
Financial Services	939 241	307 583
Corporate and Strategic Services	2 629 971	1 027 782
Community Development Services	44 507	188 572
Engineering and Planning Services	1 015 918	1 972 151
	5 395 344	3 540 654

(b) Payments not made within 30 days

Money owed by the Municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
49 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	<u>4 950 561</u>	<u>5 604 974</u>
This expenditure will be financed from:		
Government Grants	<u>4 950 561</u>	<u>5 604 974</u>
	<u>4 950 561</u>	<u>5 604 974</u>

50 FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2014 - 0.5%) Increase in interest rates	(80 176)	(72 461)
0.5% (2014 - 0.5%) Decrease in interest rates	80 176	72 461

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 %	2015 R	2014 %	2014 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	6%	38 013	53%	1 228 107
Traffic Fines	21%	122 281	14%	312 358
Other Receivables	73%	426 019	33%	763 118
Total	100%	586 313	100%	2 303 584
<u>Exchange Receivables</u>				
Electricity	27%	4 766 586	28%	2 852 277
Water	38%	6 739 703	30%	3 110 841
Refuse	15%	2 710 751	15%	1 533 180
Sewerage	17%	2 974 491	17%	1 709 799
Other	4%	752 706	10%	1 002 640
Total	100%	17 944 237	100%	10 208 736

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances (more than 60 days) are included at prime lending rate plus 2% where applicable.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (ABSA Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Financial assets exposed to credit risk at year end are as follows:

Receivables from Exchange Transactions	30 294 926	18 044 916
Receivables from Non-exchange Transactions	426 019	763 118
Cash and Cash Equivalents	6 560 971	3 321 770
Unpaid conditional grants and subsidies	412 725	412 725
	37 694 642	22 542 529

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
2015				
Long-term Liabilities	6 035 681	14 878 565	12 390 135	33 304 381
Capital repayments	3 895 819	8 765 500	9 927 658	22 588 976
Interest	2 139 862	6 113 066	2 462 477	10 715 405
Payables from Exchange Transactions	49 350 022	-	-	49 350 022
Unspent conditional government grants and receipts	2 501 028	-	-	2 501 028
Unspent Public Contributions	2 409	-	-	2 409
	57 889 140	14 878 565	12 390 135	85 157 840
2014				
Long-term Liabilities	5 226 212	12 068 657	7 830 050	25 124 919
Capital repayments	3 555 370	7 973 114	6 278 257	17 806 741
Interest	1 670 842	4 095 543	1 551 793	7 318 177
Payables from Exchange Transactions	50 376 261	-	-	50 376 261
Unspent conditional government grants and receipts	1 874 177	-	-	1 874 177
Unspent Public Contributions	2 409	-	-	2 409
	57 479 059	12 068 657	7 830 050	77 377 766

51 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

51.1 Financial Assets

Financial Instruments at Amortised Cost

Receivables from Exchange Transactions	30 294 926	18 044 916
Receivables from Non-exchange Transactions	426 019	763 118
Unpaid Conditional Government Grants and Receipts	412 725	412 725
Cash and Cash Equivalents	6 560 971	3 321 770
Total carrying amount of financial assets	37 694 642	22 542 529

51.2 Financial Liability

Financial Instruments at Amortised Cost

Long-term Liabilities	18 693 157	14 251 372
Payables from Exchange Transactions	50 825 148	51 754 836
Unspent Conditional Grants and Receipts	2 501 028	1 874 177
Unspent Public Contributions	2 409	2 409
Current Portion of Long-term Liabilities	3 895 819	3 555 370
Total carrying amount of financial liabilities	75 917 561	71 438 164

CEDERBERG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
52 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:		
Taxes	863 816	1 215 279
Receivables from Exchange Transactions	7 833 074	5 760 682
Rates	7 410 693	5 290 726
Traffic Fines	422 381	469 956
Total Statutory Receivables	8 696 891	6 975 961

53 EVENTS AFTER THE REPORTING DATE

The Municipal Manager entered into a settlement agreement and vacated his post on 31 July 2015. At reporting date, Mr Elrico Alfred was the acting Municipal Manager.

54 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

55 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

56 CONTINGENT LIABILITY

The Municipality had the following contingent liabilities at reporting date:

Goedeheop Citrus mitigation recovery of R1 773 578 for shortfall for erven 1765 and 1766 which was sold for substantially less than market value. This case is still pending, and if ruled in favour of Goedeheop Citrus, will result in the Municipality to repay legal fees incurred by Goedeheop Citrus.

Matter against the Municipality by Jimmy Barnard: This matter has been finalised but legal costs that have to be taxed or agreed. The legal costs for which the Municipality may be liable are estimated at R50 000.

Matter against the Municipality by MJ Coetzee: This is an application by the owners of Ert 234 Graatwater against the Municipality for declaratory relief, alternatively a review regarding the decision taken in respect of an application for consent use. The matter is ongoing, pleadings have closed and the Applicants have to set it down for hearing. The legal costs for which the Municipality may be liable are estimated at R250 000 if the application is successful.

Matter against the Municipality by Willmore de Koker and Others: This is an application by owners who purchased unserviced erven in Citrusdal who are now claiming that the tender did not indicate that the erven was unserviced. The applicants are now claiming for the erven to be serviced, or to exchange their current unserviced erven for serviced erven. The Municipality is of the opinion that the tender clearly states the costs in relation to servicing the erven shall be borne by the applicant. At this stage legal fees associated with the claim can not be determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

57 RELATED PARTIES

Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

57.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

57.2 Compensation of management personnel

The compensation of management personnel is set out in note 32 and 33 to the financial statements.

57.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity	Relationship	2015 R	2014 R
P Sobekwa	Mr J Sobekwa	Foreman	Sister	30 850	5 800
C Newman	SC Newman	Ward Assistant	Sister	40 487	33 284
HM Henderson	C Henderson	Senior Clerk Stores	Sister	158 955	81 065
				230 292	120 149

58 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**58.01 ORIGINAL BUDGET vs FINAL BUDGET****Statement of Financial Position**

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2013/14.

Statement of Financial Performance - Revenue

Service Charges were increased to take into account the service requirements of the Graafwater RDP houses of which the hand over occurred in August 2014.

Transfers Recognised (Operational) were increased to taken into account new grant allocations from the Marine Living Resources Fund (R18 million) and also Department of Human Settlements (R8 million) was incorrectly budgeted as a capital grant where in actual fact it should have been a budgeted for as an operating grant.

Own Revenue was increase to take into account the effect of IGRAP 1 on fines, whereby all fines issued should be recognised as revenue and not only fines which are paid.

Transfers recognised (Capital) were decreased as the Department of Human Settlements grant was incorrectly classified as a capital grant and an additional allocation of the WSOG grant

Statement of Financial Performance - Expenditure

Bulk Purchases were increased to take into account bulk service requirement to service the Graafwater RDP houses which was handed over in August 2014.

Other Expenditure were increased to take into accounting the Department of Human Settlements grant incorrectly budgeted for as a capital grant rather than an operating grant as well as expenditure relating to the new grant allocation from the Marine Living Resources Fund. In addition, it was also noted that the grant expenditure table did not correctly pull through on the A-schedules, resulting that operating grant expenditure was understated with R14 million.

Cash Flow Statement

Net Cash Flow from Operating Activities contained errors which were corrected with in the final adjustment budget.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

58.02 ACTUAL AMOUNTS vs FINAL BUDGET**Statement of Financial Position**

Current Assets were more than budgeted for due to an improve collection in debtors, resulting in the provision for debt impairment being less than anticipated.

Non-Current Assets were less than budgeted for due to underspending of the capital budget by department Engineering and Planning Services.

Non-Current Liabilities were more than budgeted for due to a change in legislation with regards to the minimum requirements for the rehabilitation of landfill site provision.

Statement of Financial Performance - Revenue

Property Rates were less than budgeted for due to property rates which were incorrectly levied on impermissible and/or expropriated stands and erven.

Service Charges were less than budgeted for as the Graafwater RDP houses requirements were less than initially assessed.

Transfers recognised (both operational and capital) was less than budgeted as not all projects were implemented.

Own revenue were more than budgeted for due to the following items which could not have been budgeted for:

- Transfer of Assets (Infrastructure) from the Department of Housing
- Actuarial Gains
- Reversal of Impairments
- Paleisheuwel solar panel project which was levied for bulk infrastructure contribution

Statement of Financial Performance - Expenditure

Employee Costs were more than budgeted for as Employee Related costs relating to grants were budgeted under Other Expenditure (Other Operating Grant Expenditure).

Depreciation and Amortisation was less than budgeted for due to a change in accounting estimate with regards to the remaining useful lives of certain assets.

Finance Charges were more than budgeted due to increase in non-cash flow interest on provision.

Bulk Purchases were less than budgeted for due to smaller demand from Graafwater RDP houses than anticipated.

Saving on General Expenses due to austerity measures.

Other Expenditure was less than budgeted for due to the following reasons:

- Employee Related Costs relating to grants was budgeted under Other Expenditure but reallocated for GRAP purposes to Employee Related Costs.
- Due to improved collection rates, the Debt Impairment expenses was less than budget
- General saving on General Expenses due to austerity measures.

Cash Flow Statement

Net Cash Flow from Operating Activities less than budgeted as smaller demand from Graafwater RDP houses than anticipated.

Net Cash Flow from Investing Activities due to not all capital projects implemented Engineering and Planning Services.

59 FINANCIAL SUSTAINABILITY

The indicators that may, individually or collectively, cast doubt about the going concern assumption are as follows:

The current assets to liabilities ratio improved from 0.49:1 to 0.73:1 in the current year.

The average creditors' repayment days improved from 108 days to 101 days in the current year.

The reason for the negative trend in the ratio's is due a distorted amount of Payables from Exchange Transactions as on 30 June 2015. Payables from Exchange Transactions includes significant unpaid invoices of Eskom. These unpaid invoices are subject to a on-going dispute. This dispute has been registered at NERSA's complaints department.

APPENDIX A - Unaudited
CEDERBERG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Maturity date	Balance at 30 June 2014	Received during the period	Redeemed during the period	Balance at 30 June 2015
ANNUITY LOANS							
ABSA	9.53%	30-1738-1864	31 Mar 2016	3 996 775	-	(2 202 403)	1 794 372
ABSA	9.64%	28-7900-0691	30 Sep 2018	2 150 339	-	(384 064)	1 766 275
Standard Bank	10.36%	03-263-793-4	31 Mar 2023	11 278 071	-	(809 403)	10 468 668
ABSA	9.84%	38-7230-0092	31 Mar 2025	-	3 000 000	-	3 000 000
ABSA	10.43%	38-7230-0993	14 Jun 2025	-	5 000 000	-	5 000 000
Total Annuity Loans				17 425 186	8 000 000	(3 395 870)	22 029 315
LEASE LIABILITIES							
Copier/Printer/Fax MPC2051AD - Serial V9723800805			June 2015	11 027	-	(11 027)	-
Printer Xerox WC 7835 - Serial 3912323160			Febr 2017	48 302	-	(16 922)	31 380
Printer Xerox WC 7835 - Serial 3912320013			Febr 2017	48 302	-	(16 922)	31 380
Printer Xerox WC 7835 - Serial 3912322806			Febr 2017	48 302	-	(16 922)	31 380
Printer Xerox WC 5855 - Serial 3660183395			Febr 2017	51 123	-	(19 290)	31 833
Printer Xerox WC 533ST - Serial 3322831080			Febr 2017	33 412	-	(11 750)	21 662
Printer Xerox CQ 9303 - Serial 3661918771			Febr 2017	141 088	-	(49 593)	91 495
Printer MPC2003SP - E204R762594			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R762687			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R762702			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R762738			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R860570			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R860571			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R860574			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R862788			Nov 2017	-	32 890	(5 016)	27 874
Printer MPC2003SP - E204R862862			Nov 2017	-	32 890	(5 016)	27 874
Printer MP2501SP - E334M520642			Nov 2017	-	16 440	(2 507)	13 933
Printer MP2501SP - E334M520643			Nov 2017	-	16 440	(2 507)	13 933
Printer MP2501SP - E334M421068			Nov 2017	-	16 440	(2 507)	13 933
Printer MP2501SP - E334M421078			Nov 2017	-	16 440	(2 507)	13 933
Printer MP2501SP - E334M421106			Nov 2017	-	16 440	(2 507)	13 933
Total Lease Liabilities				381 556	378 210	(200 106)	559 661
TOTAL EXTERNAL LOANS				17 806 742	8 378 210	(3 595 977)	22 588 976

APPENDIX B - Unaudited
CEDERBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2014 R	Correction of error restatement R	Restated Balance 1 July 2014 R	Paid back to Treasury R	Contributions during the year R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2015 R	Unspent 30 June 2015 (Creditor) R	Unpaid 30 June 2015 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS										
<u>National Government Grants</u>										
Equitable Share	-	-	-	-	30 797 078	(30 797 078)	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	-	-	14 917 000	(746 521)	(14 170 479)	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	-	934 000	(603 803)	(330 197)	-	-	-
Financial Management Grant (FMG)	-	-	-	-	1 450 000	(1 450 000)	-	-	-	-
Integrated National Electrification Programme	1 365 094	-	1 365 094	-	1 000 000	-	(2 353 483)	11 611	11 611	-
Department of Water Affairs	(215 272)	-	(215 272)	-	-	-	-	(215 272)	-	(215 272)
EPWP	-	-	-	-	1 328 000	(1 328 000)	-	-	-	-
Department of Rural Affairs National	-	-	-	-	1 000 000	(1 000 000)	-	-	-	-
Neighbourhood Development Partnership	(24 155)	-	(24 155)	-	-	-	-	(24 155)	-	(24 155)
Regional Bulk Infrastructure Grant (RBIG)	-	-	-	-	9 000 242	-	(9 000 242)	-	-	-
WSOG - ACIP	(173 298)	-	(173 298)	-	-	-	-	(173 298)	-	(173 298)
WSOG - O&M	-	-	-	-	3 000 000	-	(2 096 563)	903 437	903 437	-
Total National Government Grants	952 369	-	952 369	-	63 426 320	(35 925 402)	(27 950 965)	502 323	915 048	(412 725)
<u>Provincial Government Grants</u>										
LED Grant	96 524	-	96 524	-	-	-	-	96 524	96 524	-
Spacial Development Framework	93 022	-	93 022	-	-	(84 680)	-	8 342	8 342	-
Human Settlement Development Grant	-	-	-	-	5 692 245	(1 032 853)	(4 659 392)	-	-	-
Library Services	-	-	-	-	2 150 000	-	(2 150 000)	-	-	-
Library Services MRF	-	-	-	-	3 285 000	(3 253 844)	(16 251)	14 905	14 905	-
CDW Support	48 655	-	48 655	-	157 392	(197 045)	(9 002)	-	-	-
Housing Consumer Education	66 940	-	66 940	-	-	-	-	66 940	66 940	-
Road Maintenance	-	-	-	-	50 398	(50 398)	-	-	-	-
Development of Sport and Recreational Facilities	68 169	-	68 169	-	-	-	-	68 169	68 169	-
Mobility Strategies Grant	15 297	-	15 297	-	-	-	-	15 297	15 297	-
Master Planning Grant	2 000	-	2 000	-	-	-	-	2 000	2 000	-
Marine Living Resources Fund	-	-	-	-	18 824 021	(18 824 021)	-	-	-	-
IDP Grant	-	-	-	-	200 000	(154 272)	-	45 728	45 728	-
Financial Management Support Grant	118 476	-	118 476	-	750 000	(274 983)	-	593 493	593 493	-
Municipal Infrastructure Support Grant	-	-	-	-	750 000	(75 418)	-	674 582	674 582	-
Disaster Management Grant	-	-	-	-	640 951	(640 951)	-	-	-	-
Compliance Management System Grant	-	-	-	-	61 000	(61 000)	-	-	-	-
FMSG West Coast DM	-	-	-	-	287 719	(287 719)	-	-	-	-
Total Provincial Government Grants	509 083	-	509 083	-	32 848 726	(24 937 184)	(6 834 645)	1 585 980	1 585 980	-
TOTAL	1 461 452	-	1 461 452	-	96 275 046	(60 862 586)	(34 785 610)	2 088 303	2 501 028	(412 725)